

Kickhaefer & Buessing, P.A.
Certified Public Accountants

**VALLEY HEIGHTS
UNIFIED SCHOOL DISTRICT NO. 498**
BLUE RAPIDS - WATERVILLE, KANSAS

FINANCIAL STATEMENT AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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KICKHAEFER & BUESSING, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Board of Education
Unified School District No. 498
Waterville, Kansas 66548

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Valley Heights Unified School District No. 498, Waterville, Kansas, as of and for the year ended June 30, 2015, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 C. to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of The United States, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 C. of the financial statement, the financial statement is prepared by Valley Heights Unified School District No. 498, Waterville, Kansas, to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 C. and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Valley Heights Unified School District No. 498, Waterville, Kansas, as of June 30, 2015, or the changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

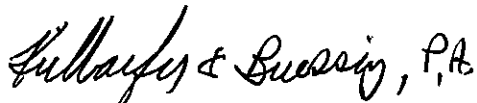
In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Valley Heights Unified School District No. 498, Waterville, Kansas, as of June 30, 2015, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1 C.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2015, on our consideration of the Valley Heights Unified School District No. 498, Waterville, Kansas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Valley Heights Unified School District No. 498, Waterville, Kansas' internal control over financial reporting and compliance.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures - agency funds, and schedule of regulatory basis receipts, expenditures and unencumbered cash - activity funds (Schedules 1,2,3,and 4 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The Comparison of Depository Security with Funds on Deposit (Schedule 5 as listed in the table of contents) is not a required part of the basic financial statement. The Schedule of Expenditures of Federal Awards, Schedule of Findings and Questioned Costs, and Schedule of Prior Year Audit Findings are presented for analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are also not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1 C.



Kickhaefer & Buessing, P.A.

Marysville, Kansas

December 9, 2015

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

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VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

FINANCIAL INFORMATION

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

STATEMENT 1
PAGE 1 OF 2

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| FUNDS | BEGINNING UNENCUMBERED CASH BALANCE | PRIOR YEAR CANCELED ENCUMBRANCES | CASH RECEIPTS | EXPENDITURES | ENDING UNENCUMBERED CASH BALANCE | ADD OUTSTANDING ENCUMBRANCES AND ACCOUNTS PAYABLE | ENDING CASH BALANCE |
|--|--|--|------------------------|------------------------|---|---|---------------------------|
| | | | | | | | |
| GENERAL FUNDS: | | | | | | | |
| GENERAL FUND | \$ 0.00 | \$ 0.00 | \$ 3,447,512.12 | \$ 3,447,512.12 | \$ 0.00 | \$ 65,606.60 | \$ 65,606.60 |
| SUPPLEMENTAL GENERAL | 63,458.85 | 0.00 | 1,095,495.66 | 1,158,954.51 | 0.00 | 21,665.10 | 21,665.10 |
| SPECIAL PURPOSE FUNDS: | | | | | | | |
| CAPITAL OUTLAY | 335,179.06 | 0.00 | 254,498.78 | 219,736.43 | 369,941.41 | 0.00 | 369,941.41 |
| DRIVER TRAINING | 10,414.01 | 0.00 | 9,040.00 | 4,258.68 | 15,195.33 | 0.00 | 15,195.33 |
| AT RISK 4 YEAR OLD | 4,000.00 | 0.00 | 13,433.00 | 13,433.00 | 4,000.00 | 0.00 | 4,000.00 |
| FOOD SERVICE | 31,640.56 | 0.00 | 270,936.07 | 271,670.59 | 30,906.04 | 0.00 | 30,906.04 |
| PROFESSIONAL DEVELOPMENT | 15,134.46 | 0.00 | 27,435.13 | 24,644.59 | 17,925.00 | 0.00 | 17,925.00 |
| AT RISK K-12 | 100,000.00 | 0.00 | 367,480.80 | 369,862.00 | 97,618.80 | 0.00 | 97,618.80 |
| PARENTS AS TEACHERS | 3,406.22 | 0.00 | 104,330.00 | 107,736.22 | 0.00 | 0.00 | 0.00 |
| SPECIAL EDUCATION | 96,831.86 | 0.00 | 780,370.63 | 737,756.22 | 139,446.27 | 0.00 | 139,446.27 |
| VOCATIONAL EDUCATION | 26,723.29 | 0.00 | 117,916.69 | 117,944.11 | 26,695.87 | 0.00 | 26,695.87 |
| KPERS SPECIAL RETIREMENT CONTR. FUND | 0.00 | 0.00 | 250,516.34 | 250,516.34 | 0.00 | 0.00 | 0.00 |
| CONTINGENCY RESERVE | 177,525.45 | 0.00 | 22,474.55 | 3,329.00 | 196,671.00 | 0.00 | 196,671.00 |
| TEXTBOOK RENTAL | 16,101.60 | 0.00 | 18,533.15 | 0.00 | 34,634.75 | 0.00 | 34,634.75 |
| GIFTS & GRANTS | 120.00 | 0.00 | 0.00 | 120.00 | 0.00 | 0.00 | 0.00 |
| 21ST CENTURY COMMUNITY LEARNING CENTER | 5,777.23 | 0.00 | 60,000.00 | 57,616.11 | 8,161.12 | 0.00 | 8,161.12 |
| HRSA GRANT | 0.00 | 0.00 | 148,108.93 | 148,108.93 | 0.00 | 0.00 | 0.00 |
| RURAL EDUCATION ACHIEVEMENT PROGRAM | 0.00 | 0.00 | 24,342.00 | 24,342.00 | 0.00 | 0.00 | 0.00 |
| KS AFTERSCHOOL ENHANCEMENT GRANT | 0.00 | 0.00 | 32,760.00 | 32,760.00 | 0.00 | 661.45 | 661.45 |
| TITLE I - FYE 15 | 0.00 | 0.00 | 80,104.00 | 80,104.00 | 0.00 | 0.00 | 0.00 |
| TITLE II - A | 0.00 | 0.00 | 16,616.00 | 16,616.00 | 0.00 | 0.00 | 0.00 |
| COMMUNITY EDUCATION | 11,985.96 | 0.00 | 175,737.23 | 175,694.90 | 12,028.29 | 6,134.00 | 18,162.29 |
| PHYSICAL EDUCATION PROGRAM (PEP) YR 3 | 0.00 | 0.00 | 218,024.14 | 218,024.14 | 0.00 | 0.00 | 0.00 |
| PHYSICAL EDUCATION PROGRAM (PEP) YR 2 | 0.00 | 0.00 | 79,878.13 | 79,878.13 | 0.00 | 0.00 | 0.00 |
| GATE RECEIPTS FUND | 7,680.51 | 0.00 | 30,715.28 | 32,141.25 | 6,254.54 | 0.00 | 6,254.54 |
| SCHOOL PROJECT FUNDS | 25,301.07 | 0.00 | 75,561.66 | 68,671.51 | 32,191.22 | 0.00 | 32,191.22 |
| BOND AND INTEREST FUNDS: | | | | | | | |
| BOND AND INTEREST | 269,723.83 | 0.00 | 309,275.38 | 279,750.00 | 299,249.21 | 0.00 | 299,249.21 |
| QZAB SINKING FUND | 100,001.01 | 0.00 | 83,241.68 | 49,908.33 | 133,334.36 | 0.00 | 133,334.36 |
| CAPITAL PROJECTS FUNDS: | | | | | | | |
| CONSTRUCTION | 3,299.49 | 0.00 | 0.00 | 0.00 | 3,299.49 | 0.00 | 3,299.49 |
| EXPENDABLE TRUST FUNDS: | | | | | | | |
| L.E. WILLSON TRUST | 443,830.23 | 0.00 | 267,839.23 | 187,333.78 | 524,335.68 | 0.00 | 524,335.68 |
| VALLEY HEIGHTS ACTIVITY SCHOLARSHIPS | 5,123.18 | 0.00 | 33,814.00 | 28,946.00 | 9,991.18 | 0.00 | 9,991.18 |
| TOTAL REPORTING ENTITY (Excluding Agency Funds) | \$ 1,753,257.87 | \$ 0.00 | \$ 8,415,990.58 | \$ 8,207,368.89 | \$ 1,961,879.56 | \$ 94,067.15 | \$ 2,055,946.71 |

THE NOTES TO THE FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS STATEMENT.

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

STATEMENT 1
PAGE 2 OF 2

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | ENDING CASH BALANCE |
|---|---------------------------|
| COMPOSITION OF CASH: | |
| CASH IN BANK, CITIZENS STATE BANK, WATERVILLE, KANSAS | |
| - DISTRICT ACCOUNTS | \$ 660,333.19 |
| - WILLSON ACCOUNTS | 524,335.68 |
| - SINKING FUND | <u>133,333.32</u> |
| SUBTOTAL CITIZENS STATE BANK | <u>1,318,002.19</u> |
| CASH IN BANK, STATE BANK OF BLUE RAPIDS, KANSAS | |
| - DISTRICT ACCOUNTS | <u>749,417.93</u> |
| SUBTOTAL STATE BANK OF BLUE RAPIDS, KANSAS | <u>749,417.93</u> |
| CASH IN BANK, BANK OF KANSAS CITY, KANSAS CITY, MO | |
| - DISTRICT ACCOUNTS | <u>1.04</u> |
| SUBTOTAL BANK OF KANSAS CITY, KANSAS CITY, MO | <u>1.04</u> |
| TOTAL CASH | <u>2,067,421.16</u> |
| LESS AGENCY FUNDS per SCHEDULE 3 | <u>(11,474.45)</u> |
| TOTAL REPORTING ENTITY CASH (Excluding Agency Funds) | <u>\$ 2,055,946.71</u> |

THE NOTES TO THE FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS STATEMENT.

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Municipal Financial Reporting Entity

Unified School District No. 498 is a municipal corporation governed by an elected seven-member board. This regulatory financial statement presents Unified School District No. 498 (the District) and does not include any related municipal entities.

B. Regulatory Basis Fund Types

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. The following regulatory basis fund types comprise the financial activities of the District for the fiscal year 2015:

General fund—the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose fund—used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest fund—used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Capital project fund—used to account for the debt proceeds and other financial resources to be used for the acquisition or construction of major capital facilities or equipment.

Trust fund—funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).

Agency fund—funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, county treasurer tax collection accounts, etc.).

C. Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America—The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. Basis of Accounting (cont.)

liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities, or deferred inflows or outflows, other than those mentioned above.

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District to use the regulatory basis of accounting.

D. Reimbursements

Unified School District No. 498 records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives the reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under the KMAAG regulatory basis accounting.

E. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding fiscal year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The general fund budget was amended from \$3,298,082.00 to \$3,329,284.00.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

E. Budgetary Information (cont.)

actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds, trust funds, and the following special purpose funds: Contingency Reserve, Textbook Rental, and all federal programs and grant funds. Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

F. Property Tax

The county clerk calculates the final tax levy rates necessary to finance the budget subject to any legal limitations. After all budgets have been received and tax rates calculated, the clerk certifies the tax roll to the county treasurer, who prepares tax statements and receives payment.

Taxes become a lien against all property November 1st. Taxpayers have the option of paying in full or in two installments. The delinquency dates are December 21st and May 11th. Delinquent taxes were assessed interest at 6% per annum for calendar year 2014 and 4% per annum for calendar year 2015. This interest is retained by the county.

Taxes levied to finance the budget are made available to the district after January 1st and are distributed by the county treasurer approximately every month and a half. At least 50% of the taxes levied are available in January. Delinquent tax collections are distributed throughout the year.

2. DEPOSITS AND INVESTMENTS

As of June 30, 2015, Unified School District #498 had the following investments and maturities.

| Investment Type | Cost | Fair Value | Rating | Investments | Percentage of Investments |
|---|------|------------|--------------|---------------------------|---------------------------|
| Cavalier Hill US Treasury Fund | 1.04 | 1.04 | AAA by S & P | Cavalier Hill US Treasury | 100% |
| Money Market Mutual Fund which doesn't have a maturity date. Funds may be drawn down at any time. | | | | | |

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2015

2. DEPOSITS AND INVESTMENTS (cont.)

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statute place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The District's allocation of investments as of June 30, 2015, is as follows:

| <u>Investments</u> | <u>Percentage of Investments</u> |
|--|--------------------------------------|
| Cavanal Hill US Treasury | 100% |
| <i>Custodial credit risk - deposits.</i> Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at June 30, 2015. | |

At June 30, 2015 the carrying amount of the District's deposits, including certificates of deposit, was \$2,067,421.16 and the bank balance was \$2,277,539.05. The bank balance was held by three banks resulting in a concentration of credit risk. Of the total bank balance, \$640,869.27 was covered by FDIC insurance and the remaining \$1,636,669.78 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. At June 30, 2015 the District had invested \$1.04 in the Money Market Funds of the Bond Trustee, Bank of Kansas City, which is secured by U.S. Government Securities.

3. IN-SUBSTANCE RECEIPT IN TRANSIT

The District received \$254,559.00 subsequent to June 30, 2015 and as required by K.S.A. 72-6417 and 72-6434 the receipt was recorded as an in-substance receipt in transit and included as a receipt for the year ended June 30, 2015.

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2015

4. LONG-TERM DEBT

Unified School District #498 entered into a lease purchase agreement with the Bank of Kansas City, Kansas City, Missouri for energy improvements 12/29/10. Qualified Zone Academy Bonds were purchased by the two local banks. The Series 2010A QZAB Bonds have a tax credit of 5.85% and the Series 2010B QZAB Bonds have an interest rate of 5.85%. The lease purchase agreement is set up for basic rent payments and to be limited to payment from available revenues and will constitute a current expense of the district and not debt of the district. The U.S. Treasury was supposed to pay for the entire interest due for the Series 2010B but due to the sequestration the District had to pay 7.2% of the \$9,750.00 interest due in December, 2013. Due to late submission of paperwork the District paid the entire interest amount of \$8,775.00 in June of 2014 but U.S. Treasury did pay their portion in July, 2014. The District had to pay 7.3% of the \$16,575.00 interest due in FYE15. The rate the U.S. Treasury will pay will vary over the years. Interest payments projected below are calculated using the latest rate available which is that the district will have to pay 6.8% of the interest amount due. The schedule of basic rent payments for the Series 2010A and Series 2010B Certificates are shown below for informational purposes. Changes in long-term liabilities and the basic rent payments for the school district for the year ended June 30, 2015, were as follows:

| ISSUE | INTEREST RATES | DATE OF ISSUE | AMOUNT OF ISSUE | DATE OF FINAL MATURITY | BEGINNING PRINCIPAL OUTSTANDING | ADDITIONS TO PRINCIPAL | REDUCTIONS OF PRINCIPAL | NET CHANGE IN PRINCIPAL | ENDING PRINCIPAL OUTSTANDING | INTEREST PAID |
|---|------------------|---------------|-----------------|------------------------|---------------------------------|------------------------|-------------------------|-------------------------|------------------------------|---------------|
| GENERAL OBLIGATION BONDS: SERIES 2008 | 4.6 - 5.5% | 10/23/08 | \$ 2,135,000.00 | 09/01/23 | \$ 1,945,000.00 | \$ 0.00 | \$ 65,000.00 | \$ (65,000.00) | \$ 1,880,000.00 | \$ 88,900.00 |
| REFUNDING SERIES 2012 | 2% | 07/27/12 | 825,000.00 | 12/01/18 | 700,000.00 | 0.00 | 115,000.00 | (115,000.00) | 585,000.00 | 12,850.00 |
| LEASE PURCHASE AGREEMENT WITH BANK OF KANSAS CITY QUALIFIED ZONE ACADEMY BONDS CERTIFICATE OF PARTICIPATION | | | | | | | | | | |
| SERIES 2010B | 5.85% | 12/29/10 | 400,000.00 | 12/29/22 | 300,000.01 | 0.00 | 33,333.33 | (33,333.33) | 266,666.68 | 1,209.98 |
| SERIES 2010A | 5.85% TAX CREDIT | 12/29/10 | 400,000.00 | 12/29/22 | 400,000.00 | 0.00 | 0.00 | 0.00 | 400,000.00 | 0.00 |
| | | | | | \$ 3,345,000.01 | \$ 0.00 | \$ 213,333.33 | \$ (213,333.33) | \$ 3,131,666.68 | \$ 100,959.98 |

Current maturities of long-term debt and the basic rent payment schedule showing principle and interest for the next five years and in five year increments through maturity are as follows:

| | YEAR | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|------------------------|------------------------|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021-2025 | TOTAL |
| PRINCIPAL | | | | | | | |
| GEN. OBLIGATION BONDS-SERIES 2008 | \$ 75,000.00 | \$ 80,000.00 | \$ 90,000.00 | \$ 100,000.00 | \$ 270,000.00 | \$ 1,265,000.00 | \$ 1,880,000.00 |
| GEN. OBLIGATION REFUNDING BONDS-SERIES 2012 | 140,000.00 | 145,000.00 | 150,000.00 | 150,000.00 | 0.00 | 0.00 | 585,000.00 |
| ENERGY IMPROVEMENT LEASE QZAB SERIES 2010B | 33,333.33 | 33,333.33 | 33,333.33 | 33,333.33 | 33,333.33 | 100,000.03 | 266,666.68 |
| QZAB SERIES 2010A | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 400,000.00 | 400,000.00 |
| TOTAL PRINCIPAL | 248,333.33 | 258,333.33 | 273,333.33 | 283,333.33 | 303,333.33 | 1,765,000.03 | 3,131,666.68 |
| INTEREST | | | | | | | |
| GEN. OBLIGATION BONDS-SERIES 2008 | 83,400.00 | 79,525.00 | 75,500.00 | 71,325.00 | 63,235.00 | 120,247.50 | 493,232.50 |
| GEN. OBLIGATION REFUNDING BONDS-SERIES 2012 | 10,300.00 | 7,450.00 | 4,500.00 | 1,500.00 | 0.00 | 0.00 | 23,750.00 |
| ENERGY IMPROVEMENT LEASE QZAB SERIES 2010B | 994.50 | 861.90 | 729.30 | 598.70 | 464.10 | 596.70 | 4,243.20 |
| QZAB SERIES 2010A | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| TOTAL INTEREST | 94,694.50 | 87,836.90 | 80,729.30 | 73,421.70 | 63,699.10 | 120,844.20 | 521,225.70 |
| TOTAL PRINCIPAL AND INTEREST | \$ 343,027.83 | \$ 346,170.23 | \$ 354,062.63 | \$ 356,755.03 | \$ 367,032.43 | \$ 1,885,844.23 | \$ 3,652,892.38 |

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2015

5. INTERFUND TRANSFERS

| <u>From</u> | <u>To</u> | <u>Authority</u> | <u>Amount</u> |
|--------------------------|------------------------------|------------------|---------------|
| General Fund | Professional Development Fd. | K.S.A. 72-6428 | 24,025.13 |
| General Fund | Special Education Fund | K.S.A. 72-6428 | 549,814.91 |
| General Fund | Vocational Education Fund | K.S.A. 72-6428 | 115,656.98 |
| General Fund | Parents as Teachers Fund | K.S.A. 72-6428 | 13,923.00 |
| General Fund | At Risk K-12 Fund | K.S.A. 72-6428 | 317,480.80 |
| General Fund | At Risk 4 Year Old Fund | K.S.A. 72-6428 | 13,433.00 |
| General Fund | Drivers Education | K.S.A. 72-6428 | 6,000.00 |
| General Fund | Contingency Reserve Fund | K.S.A. 72-6428 | 22,474.55 |
| Supplemental General Fd. | Special Education Fund | K.S.A. 72-6433 | 230,555.72 |
| Supplemental General Fd. | At Risk K-12 Fund | K.S.A. 72-6433 | 50,000.00 |
| Supplemental General Fd. | Food Service Fund | K.S.A. 72-6433 | 40,000.00 |
| Supplemental General Fd. | Professional Development Fd. | K.S.A. 72-6433 | 3,329.00 |
| Contingency Reserve | Supplemental General Fund | K.S.A. 72-6426 | 3,329.00 |
| Capital Outlay | Debt Service Fund | K.S.A. 72-8804 | 67,876.63 |

6. DEFINED BENEFIT PENSION PLAN

Plan description. The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective January 1, 2015 KPERS has three benefit structures and funding depends on whether the employee is a Tier 1, Tier 2, or Tier 3 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009 and prior to January 1, 2015. Tier 3 members are employed on or after January 1, 2015 and have a contribution rate of 6%. Kansas law establishes the KPERS member-employee contribution rate of 5% of covered salary for Tier 1 members and at 6% of covered salary for

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2015

6. DEFINED BENEFIT PENSION PLAN (cont.)

Tier 2 members. Effective January 1, 2015 Tier 1 member-employee contribution rate changed to 6% of covered salary. Member employees' contributions are withheld by their employer and paid to KPERS according to provisions of Section 414 (h) of the Internal Revenue Code. The State of Kansas is required to contribute the statutory required employers share.

Net Pension Liability. The total pension liability for KPERS was determined by an actuarial valuation as of December 31, 2013, which was rolled forward to June 30, 2014. As of June 30, 2014 the net pension liability for KPERS was \$8,291,794,910. KPERS has determined the District's proportionate share of the net pension liability is \$3,691,318 as of June 30, 2014. The complete actuarial valuation report including assumptions and methods is publically available on the website at www.kpers.org or can be obtained as described in the first paragraph above.

7. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Other post employment benefits. As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the District is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in the financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid by the insured.

Fringe Benefits. The District provides a single membership health insurance for all certified staff. Certified staff who have the board-provided single health insurance may opt to pick another option if the teacher provides the District with written permission to take the additional cost of the selected option from their salary. The junior-senior high school principal, elementary principal, and the technology coordinator are offered family health insurance, Option KE1 of the current Blue Cross Blue Shield coverage. The District agrees to pay the superintendent's group health insurance Employee/Spouse plan with the USD #498 group health insurance, Option KE1.

All non-certified full-time employees are required to be a member of the District's group health insurance plan unless they prove satisfactory group health insurance coverage elsewhere. Twelve-month and nine-month employees participating in the District's health plan will have 100% of the District low option single membership paid by the District. The District also established a salary reduction program in conformity with Section 125 of the Internal Revenue Code. Any employee may reduce their salary by an amount up to the statutory limit on non-taxable benefits as set forth in the program. Items by which the employee may reduce his/her contract are as follows:

- (A) Health insurance

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2015

7. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS (cont.)

Fringe Benefits. (cont.)

- (B) Cancer insurance
- (C) Salary protection insurance
- (D) Dental and vision insurance
- (E) Unreimbursed medical expenses not covered by insurance
- (F) Dependent care assistance

Compensated Absences. The District's policies regarding vacation and sick leave are: Teachers are allowed 8 days sick leave accumulative to 60 days and four days of discretionary leave per year; at year end the teachers can either transfer unused discretionary leave days to sick leave or elect to receive reimbursement; the superintendent is allowed 10 days sick leave accumulative to 60 days and 20 days annual vacation accumulative to 30; the principals are allowed 10 days sick leave accumulative to 60 days; the U.S.D. clerk, custodians, tech coordinator, community education coordinator, and secretaries on a 12-month contract are allowed 8 days sick leave accumulative to 56 days; cooks, paraprofessionals, bus drivers, and secretaries on a 9-month contract are allowed six days sick leave accumulative to 42 days; and all non-certified employees on a 12-month contract are allowed two weeks vacation and after 15 years of employment in the district are allowed three weeks vacation. Two days of the non-certified employees' sick days can be utilized as personal leave days.

Liability for compensated absences is not reflected in the financial statement.

8. COMMITMENTS AND CONTINGENCIES

Litigation As of the audit date, there is no pending or threatened litigation which involves the Unified School District No. 498.

Grant program involvement The District participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by grantors or their representatives for audit of these programs for or including the year ending June 30, 2015. These compliance audits have not been conducted as of December 9, 2015. Accordingly, the District's compliance with applicable grant agreements will be established at some future date. The amount of expenditures, which may be disallowed by the grantor agencies, cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

9. SUBSEQUENT EVENTS

The District's management has evaluated events and transactions occurring through December 9, 2015, the date which the financial statement was available to be issued.

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2015

10. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance With Finance-Related Legal and Contractual Provisions

K.S.A. 75-3317 through 75-3322 makes mandatory the purchase of products offered by Kansas industries for the blind and severely disabled. "The Kansas Use Law" states that when a unified school district has need to purchase products such as those listed in the Kansas State Use Catalog, it is a violation of Kansas law to purchase from any source other than those specified on the website or catalog. USD #498 did not make all purchases of such products from these industries.

K.S.A. 72-6760 requires expenditures greater than \$20,000 for purchases of materials to be awarded to the lowest bidder through the sealed bid process. The District spent \$49,270.00 on Apple IPADs in July, 2014, which was not put out for bid. The District was informed of the need to go through the bid process in the prior year audit but these were already purchased. Apple IPADs purchased in the summer of 2015 went through the appropriate bid procedures.

K.S.A. 60-1111 states that whenever any public official enters into contract in any sum exceeding \$100,000.00 with any persons for the purpose of making any public improvements, or making repairs on the same, shall take a bond to the State of Kansas in a sum not less than the sum total of the contract. The bond shall be filed with the Clerk of the District Court in the county in which the improvement is made. No such public works bond was obtained or on file in Marshall County for the roof repair with Fair & Square for \$148,005.50 for hail damage.

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

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VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

**REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION**

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

SCHEDULE 1

SCHEDULE OF EXPENDITURES - ACTUAL AND BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| FUNDS | CERTIFIED BUDGET | ADJUSTMENT | | ADJUSTMENT FOR QUALIFYING BUDGET CREDITS | TOTAL BUDGET FOR COMPARISON | EXPENDITURES CHARGEABLE TO CURRENT YEAR | VARIANCE - OVER (UNDER) |
|---------------------------|---------------------|--------------------------------|------------|---|-----------------------------------|---|-------------------------------|
| | | TO COMPLY WITH LEGAL MAX | | | | | |
| GENERAL FUNDS: | \$ | \$ | \$ | \$ | \$ | \$ | |
| GENERAL FUND | 3,329,284.00 | (39,676.00) | 157,904.12 | 3,447,512.12 | 3,447,512.12 | 0.00 | |
| SUPPLEMENTAL GENERAL | 1,158,955.00 | 0.00 | 0.00 | 1,158,955.00 | 1,158,954.51 | (0.49) | |
| SPECIAL PURPOSE FUNDS: | | | | | | | |
| CAPITAL OUTLAY | 486,354.00 | 0.00 | 0.00 | 486,354.00 | 219,736.43 | (266,617.57) | |
| DRIVER TRAINING | 7,505.00 | 0.00 | 0.00 | 7,505.00 | 4,258.68 | (3,246.32) | |
| AT RISK 4 YEAR OLD | 13,433.00 | 0.00 | 0.00 | 13,433.00 | 13,433.00 | 0.00 | |
| FOOD SERVICE | 352,140.00 | 0.00 | 0.00 | 352,140.00 | 271,670.59 | (80,469.41) | |
| PROFESSIONAL DEVELOPMENT | 35,134.00 | 0.00 | 0.00 | 35,134.00 | 24,644.59 | (10,489.41) | |
| AT RISK K-12 | 396,833.00 | 0.00 | 0.00 | 396,833.00 | 369,862.00 | (26,971.00) | |
| PARENT EDUCATION PROGRAM | 110,657.00 | 0.00 | 0.00 | 110,657.00 | 107,736.22 | (2,920.78) | |
| SPECIAL EDUCATION | 793,830.00 | 0.00 | 0.00 | 793,830.00 | 737,756.22 | (56,073.78) | |
| VOCATIONAL EDUCATION | 118,724.00 | 0.00 | 0.00 | 118,724.00 | 117,944.11 | (779.89) | |
| KPERS SPECIAL CONTR. FUND | 302,894.00 | 0.00 | 0.00 | 302,894.00 | 250,516.34 | (52,377.66) | |
| BOND AND INTEREST FUNDS: | | | | | | | |
| BOND AND INTEREST | 280,250.00 | 0.00 | 0.00 | 280,250.00 | 279,750.00 | (500.00) | |

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

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VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

SCHEDULE 2
PAGE 1 OF 16

GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | 14-15 ACTUAL | 14-15 BUDGET | VARIANCE - OVER (UNDER) |
|--|-----------------|-----------------|-------------------------------|
| <u>CASH RECEIPTS</u> | | | |
| STATE SOURCES-- | | | |
| GENERAL STATE AID | \$ 2,919,181.00 | \$ 2,908,832.00 | \$ 10,349.00 |
| SPECIAL EDUCATION | 370,427.00 | 420,452.00 | (50,025.00) |
| TOTAL STATE SOURCES | 3,289,608.00 | 3,329,284.00 | (39,676.00) |
| REIMBURSEMENTS | 157,904.12 | 0.00 | 157,904.12 |
| TOTAL CASH RECEIPTS | 3,447,512.12 | \$ 3,329,284.00 | \$ 118,228.12 |
| <u>EXPENDITURES</u> | | | |
| INSTRUCTION | 1,547,046.30 | \$ 1,487,645.00 | \$ 59,401.30 |
| SUPPORT SERVICES: | | | |
| STUDENT SUPPORT | 106,735.50 | 126,000.00 | (19,264.50) |
| INSTRUCTIONAL SUPPORT | 58,914.83 | 63,750.00 | (4,835.17) |
| GENERAL ADMINISTRATION | 234,744.65 | 208,490.00 | 26,254.65 |
| SCHOOL ADMINISTRATION | 275,948.75 | 266,055.00 | 9,893.75 |
| CENTRAL SERVICES | 31,136.08 | 37,635.00 | (6,498.92) |
| OPERATIONS AND MAINTENANCE | 955.97 | 0.00 | 955.97 |
| STUDENT TRANSPORTATION | 7,625.00 | 12,303.00 | (4,678.00) |
| VEHICLE OPERATING SERVICE | 73,221.09 | 152,807.00 | (79,585.91) |
| VEHICLE SERVICES & MAINTENANCE | 48,375.58 | 70,803.00 | (22,427.42) |
| OPERATING TRANSFERS: | | | |
| FOOD SERVICE | 0.00 | 15,000.00 | (15,000.00) |
| DRIVERS EDUCATION | 6,000.00 | 6,000.00 | 0.00 |
| PROFESSIONAL DEVELOPMENT | 24,025.13 | 20,000.00 | 4,025.13 |
| PARENT EDUCATION | 13,923.00 | 14,365.00 | (442.00) |
| SPECIAL EDUCATION | 549,814.91 | 496,998.00 | 52,816.91 |
| VOCATIONAL EDUCATION | 115,656.98 | 92,000.00 | 23,656.98 |
| CONTINGENCY RESERVE | 22,474.55 | 0.00 | 22,474.55 |
| AT RISK 4 YEAR OLD | 13,433.00 | 9,433.00 | 4,000.00 |
| AT RISK K-12 | 317,480.80 | 250,000.00 | 67,480.80 |
| ADJUSTMENT TO COMPLY WITH LEGAL MAX | 0.00 | (39,676.00) | 39,676.00 |
| LEGAL GENERAL FUND BUDGET | 3,447,512.12 | 3,289,608.00 | 157,904.12 |
| ADJUSTMENT FOR QUALIFYING BUDGET CREDITS | 0.00 | 157,904.12 | (157,904.12) |
| TOTAL EXPENDITURES | 3,447,512.12 | \$ 3,447,512.12 | \$ 0.00 |
| CASH RECEIPTS OVER (UNDER) EXPENDITURES | 0.00 | | |
| UNENCUMBERED CASH, JULY 1, 2014 | 0.00 | | |
| UNENCUMBERED CASH, JUNE 30, 2015 | \$ 0.00 | | |

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

SCHEDULE 2
PAGE 2 OF 16

SUPPLEMENTAL GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | 14-15 ACTUAL | 14-15 BUDGET | VARIANCE - OVER (UNDER) |
|---------------------------------------|---------------------|------------------------|-------------------------------|
| <u>CASH RECEIPTS</u> | | | |
| TAXES AND SHARED REVENUE-- | | | |
| AD VALOREM PROPERTY TAXES -2013 | \$ 11,069.75 | \$ 22,799.00 | \$ (11,729.25) |
| -2014 | 335,613.99 | 302,518.00 | 33,095.99 |
| DELINQUENT TAX | 5,752.29 | 4,227.00 | 1,525.29 |
| MOTOR VEHICLE TAX | 61,578.29 | 57,593.00 | 3,985.29 |
| RECREATIONAL VEHICLE TAX | 996.68 | 933.00 | 63.68 |
| COMMERCIAL VEHICLE TAX | 5,100.66 | 0.00 | 5,100.66 |
| TOTAL TAXES AND SHARED REVENUE | 420,111.66 | 388,070.00 | 32,041.66 |
| TRANSFER FROM CONTINGENCY RESERVE | 3,329.00 | 0.00 | 3,329.00 |
| STATE OF KANSAS -STATE AID | 672,055.00 | 707,426.00 | (35,371.00) |
| TOTAL CASH RECEIPTS | 1,095,495.66 | \$ 1,095,496.00 | \$ (0.34) |
| <u>EXPENDITURES</u> | | | |
| INSTRUCTION | 291,874.80 | \$ 218,000.00 | \$ 73,874.80 |
| SUPPORT SERVICES: | | | |
| INSTRUCTIONAL SUPPORT | 69,992.07 | 0.00 | 69,992.07 |
| CENTRAL SERVICES | 0.00 | 66,900.00 | (66,900.00) |
| OPERATIONS AND MAINTENANCE | 473,202.92 | 594,055.00 | (120,852.08) |
| OPERATING TRANSFERS: | | | |
| SPECIAL EDUCATION | 230,555.72 | 200,000.00 | 30,555.72 |
| PROFESSIONAL DEVELOPMENT | 3,329.00 | 0.00 | 3,329.00 |
| FOOD SERVICE | 40,000.00 | 30,000.00 | 10,000.00 |
| K-12 AT RISK | 50,000.00 | 50,000.00 | 0.00 |
| TOTAL EXPENDITURES | 1,158,954.51 | \$ 1,158,955.00 | \$ (0.49) |
| RECEIPTS OVER (UNDER) EXPENDITURES | (63,458.85) | | |
| UNENCUMBERED CASH, JULY 1, 2014 | 63,458.85 | | |
| UNENCUMBERED CASH, JUNE 30, 2015 | \$ (0.00) | | |

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

SCHEDULE 2
PAGE 3 OF 16

CAPITAL OUTLAY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | 14-15 ACTUAL | 14-15 BUDGET | VARIANCE - OVER (UNDER) |
|---------------------------------------|-------------------|----------------------|-------------------------------|
| <u>CASH RECEIPTS</u> | | | |
| TAXES AND SHARED REVENUE-- | | | |
| AD VALOREM PROPERTY TAXES -2013 | \$ 1,818.58 | \$ 2,238.00 | \$ (419.42) |
| -2014 | 143,505.26 | 131,510.00 | 11,995.26 |
| DELINQUENT TAX | 796.61 | 683.00 | 113.61 |
| MOTOR VEHICLE TAX | 10,946.48 | 10,074.00 | 872.48 |
| RECREATIONAL VEHICLE TAX | 177.15 | 163.00 | 14.15 |
| COMMERCIAL VEHICLE TAX | 884.58 | 0.00 | 884.58 |
| TOTAL TAXES AND SHARED REVENUE | 158,128.66 | 144,668.00 | 13,460.66 |
| OTHER MISCELLANEOUS | 44,604.20 | 0.00 | 44,604.20 |
| STATE AID | 46,676.00 | 69,936.00 | (23,260.00) |
| INTEREST | 5,089.92 | 0.00 | 5,089.92 |
| TOTAL CASH RECEIPTS | 254,498.78 | \$ 214,604.00 | \$ 39,894.78 |
| <u>EXPENDITURES</u> | | | |
| INSTRUCTION | 1,511.50 | \$ 80,000.00 | \$ (78,488.50) |
| SUPPORT SERVICES | 0.00 | 20,000.00 | (20,000.00) |
| INSTRUCTIONAL SUPPORT STAFF | 0.00 | 15,000.00 | (15,000.00) |
| GENERAL ADMINISTRATION | 0.00 | 25,000.00 | (25,000.00) |
| SCHOOL ADMINISTRATION | 5,595.60 | 20,000.00 | (14,404.40) |
| CENTRAL SERVICES | 2,004.00 | 20,000.00 | (17,996.00) |
| OPERATIONS AND MAINTENANCE | 120,106.83 | 172,021.00 | (51,914.17) |
| TRANSPORTATION - (EQUIPMENT & BUSES) | 0.00 | 100,000.00 | (100,000.00) |
| FACILITY ACQUISITION & CONSTRUCTION | 22,641.87 | 0.00 | 22,641.87 |
| TRANSFER TO DEBT SERVICE | 67,876.63 | 34,333.00 | 33,543.63 |
| TOTAL EXPENDITURES | 219,736.43 | \$ 486,354.00 | \$ (266,617.57) |
| RECEIPTS OVER (UNDER) EXPENDITURES | 34,762.35 | | |
| UNENCUMBERED CASH, JULY 1, 2014 | 335,179.06 | | |
| UNENCUMBERED CASH, JUNE 30, 2015 | \$ 369,941.41 | | |

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

SCHEDULE 2
PAGE 4 OF 16

DRIVER TRAINING FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | 14-15 ACTUAL | 14-15 BUDGET | VARIANCE - OVER (UNDER) |
|--|------------------|-----------------|-------------------------------|
| <u>CASH RECEIPTS</u> | | | |
| STATE OF KANSAS - STATE AID | \$ 1,116.00 | \$ 1,190.00 | \$ (74.00) |
| OTHER REVENUE FROM LOCAL SOURCE | 1,924.00 | 0.00 | 1,924.00 |
| TRANSFER FROM GENERAL FUND | 6,000.00 | 6,000.00 | 0.00 |
| TOTAL CASH RECEIPTS | 9,040.00 | \$ 7,190.00 | \$ 1,850.00 |
| <u>EXPENDITURES</u> | | | |
| INSTRUCTION | 3,837.65 | \$ 6,805.00 | \$ (2,967.35) |
| VEHICLE OPER. MAINT. SERVICES - FUEL | 421.03 | 700.00 | (278.97) |
| TOTAL EXPENDITURES | 4,258.68 | \$ 7,505.00 | \$ (3,246.32) |
| RECEIPTS OVER (UNDER) EXPENDITURES | 4,781.32 | | |
| UNENCUMBERED CASH, JULY 1, 2014 | 10,414.01 | | |
| UNENCUMBERED CASH, JUNE 30, 2015 | \$ 15,195.33 | | |

AT RISK 4 YEAR OLD

| | 14-15 ACTUAL | 14-15 BUDGET | VARIANCE - OVER (UNDER) |
|--|-----------------|-----------------|-------------------------------|
| <u>CASH RECEIPTS</u> | | | |
| TRANSFER FROM GENERAL | \$ 13,433.00 | \$ 9,433.00 | \$ 4,000.00 |
| <u>EXPENDITURES</u> | | | |
| INSTRUCTION | 13,433.00 | \$ 13,433.00 | \$ 0.00 |
| RECEIPTS OVER (UNDER) EXPENDITURES | 0.00 | | |
| UNENCUMBERED CASH, JULY 1, 2014 | 4,000.00 | | |
| UNENCUMBERED CASH, JUNE 30, 2015 | \$ 4,000.00 | | |

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

SCHEDULE 2
PAGE 5 OF 16

FOOD SERVICE FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | 14-15 ACTUAL | 14-15 BUDGET | VARIANCE - OVER (UNDER) |
|------------------------------------|---------------------|----------------------|-------------------------------|
| FOOD SERVICE FUND | | | |
| <u>CASH RECEIPTS</u> | | | |
| STATE OF KANSAS - STATE AID | \$ 2,281.85 | \$ 2,380.00 | \$ (98.15) |
| - FEDERAL AID | 160,988.25 | 185,614.00 | (24,625.75) |
| MEALS | 67,125.66 | 85,855.00 | (18,729.34) |
| TRANSFER FROM GENERAL FUND | 0.00 | 15,000.00 | (15,000.00) |
| TRANSFER FROM SUPPLEMENTAL GENERAL | 40,000.00 | 30,000.00 | 10,000.00 |
| REIMBURSEMENTS | 540.31 | 1,700.00 | (1,159.69) |
| TOTAL CASH RECEIPTS | <u>270,936.07</u> | <u>\$ 320,549.00</u> | <u>\$ (49,612.93)</u> |
| <u>EXPENDITURES</u> | | | |
| OPER. & MAINTENANCE | 0.00 | \$ 11,220.00 | \$ (11,220.00) |
| FOOD SERVICE OPERATION | 271,670.59 | 340,920.00 | (69,249.41) |
| TOTAL EXPENDITURES | <u>271,670.59</u> | <u>\$ 352,140.00</u> | <u>\$ (80,469.41)</u> |
| RECEIPTS OVER (UNDER) EXPENDITURES | (734.52) | | |
| UNENCUMBERED CASH, JULY 1, 2014 | <u>31,640.56</u> | | |
| UNENCUMBERED CASH, JUNE 30, 2015 | <u>\$ 30,906.04</u> | | |

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

SCHEDULE 2
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PROFESSIONAL DEVELOPMENT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | 14-15 ACTUAL | 14-15 BUDGET | VARIANCE - OVER (UNDER) |
|---|-----------------|-----------------|-------------------------------|
| <u>CASH RECEIPTS</u> | | | |
| OTHER LOCAL REVENUE | \$ 81.00 | \$ 0.00 | \$ 81.00 |
| TRANSFER FROM GENERAL FUND | 24,025.13 | 20,000.00 | 4,025.13 |
| TRANSFER FROM SUPPLEMENTAL GENERAL FUND | 3,329.00 | 0.00 | 3,329.00 |
| TOTAL CASH RECEIPTS | 27,435.13 | \$ 20,000.00 | \$ 7,435.13 |
| <u>EXPENDITURES</u> | | | |
| INSTRUCTION | 12,704.77 | \$ 0.00 | \$ 12,704.77 |
| SUPPORT SERVICES | 4,868.97 | 0.00 | 4,868.97 |
| INSTR. SUPPORT | 7,070.85 | 35,134.00 | (28,063.15) |
| TOTAL EXPENDITURES | 24,644.59 | \$ 35,134.00 | \$ (10,489.41) |
| RECEIPTS OVER (UNDER) EXPENDITURES | 2,790.54 | | |
| UNENCUMBERED CASH, JULY 1, 2014 | 15,134.46 | | |
| UNENCUMBERED CASH, JUNE 30, 2015 | \$ 17,925.00 | | |

AT RISK K-12

| | 14-15 ACTUAL | 14-15 BUDGET | VARIANCE - OVER (UNDER) |
|------------------------------------|-----------------|-----------------|-------------------------------|
| <u>CASH RECEIPTS</u> | | | |
| TRANSFER FROM GENERAL | \$ 317,480.80 | \$ 250,000.00 | \$ 67,480.80 |
| TRANSFER FROM SUPPLEMENTAL GENERAL | 50,000.00 | 50,000.00 | 0.00 |
| TOTAL CASH RECEIPTS | 367,480.80 | \$ 300,000.00 | \$ 67,480.80 |
| <u>EXPENDITURES</u> | | | |
| INSTRUCTION | 345,842.55 | \$ 396,833.00 | \$ (50,990.45) |
| SUPPORT SERVICES | 24,019.45 | 0.00 | 24,019.45 |
| TOTAL EXPENDITURES | 369,862.00 | \$ 396,833.00 | \$ (26,971.00) |
| RECEIPTS OVER (UNDER) EXPENDITURES | (2,381.20) | | |
| UNENCUMBERED CASH, JULY 1, 2014 | 100,000.00 | | |
| UNENCUMBERED CASH, JUNE 30, 2015 | \$ 97,618.80 | | |

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

SCHEDULE 2
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PARENTS AS TEACHERS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | 14-15 ACTUAL | 14-15 BUDGET | VARIANCE - OVER (UNDER) |
|-------------------------------------|-----------------|-----------------|-------------------------------|
| <u>CASH RECEIPTS</u> | | | |
| PAYMENT FROM OTHER SCHOOL DISTRICTS | \$ 27,027.00 | \$ 27,885.00 | \$ (858.00) |
| OTHER LOCAL REVENUE | 380.00 | 0.00 | 380.00 |
| STATE OF KANSAS - STATE AID | 63,000.00 | 65,000.00 | (2,000.00) |
| TRANSFER FROM GENERAL | 13,923.00 | 14,365.00 | (442.00) |
| TOTAL CASH RECEIPTS | 104,330.00 | \$ 107,250.00 | \$ (2,920.00) |
| <u>EXPENDITURES</u> | | | |
| STUDENT SUPPORT | 107,736.22 | \$ 105,707.00 | \$ 2,029.22 |
| INSTRUCTIONAL SUPPORT | 0.00 | 4,950.00 | (4,950.00) |
| TOTAL EXPENDITURES | 107,736.22 | \$ 110,657.00 | \$ (2,920.78) |
| RECEIPTS OVER (UNDER) EXPENDITURES | (3,406.22) | | |
| UNENCUMBERED CASH, JULY 1, 2014 | 3,406.22 | | |
| UNENCUMBERED CASH, JUNE 30, 2015 | \$ 0.00 | | |

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

SCHEDULE 2
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SPECIAL EDUCATION FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | 14-15 ACTUAL | 14-15 BUDGET | VARIANCE - OVER (UNDER) |
|------------------------------------|----------------------|----------------------|-------------------------------|
| <u>CASH RECEIPTS</u> | | | |
| TRANSFER FROM GENERAL FUND | \$ 549,814.91 | \$ 496,998.00 | \$ 52,816.91 |
| TRANSFER FROM SUPPLEMENTAL GENERAL | <u>230,555.72</u> | <u>200,000.00</u> | <u>30,555.72</u> |
| TOTAL CASH RECEIPTS | <u>780,370.63</u> | <u>\$ 696,998.00</u> | <u>\$ 83,372.63</u> |
| <u>EXPENDITURES</u> | | | |
| INSTRUCTION | 735,771.22 | \$ 775,620.00 | \$ (39,848.78) |
| STUDENT TRANSPORTATION SERVICES | <u>1,985.00</u> | <u>18,210.00</u> | <u>(16,225.00)</u> |
| TOTAL EXPENDITURES | <u>737,756.22</u> | <u>\$ 793,830.00</u> | <u>\$ (56,073.78)</u> |
| RECEIPTS OVER (UNDER) EXPENDITURES | 42,614.41 | | |
| UNENCUMBERED CASH, JULY 1, 2014 | <u>96,831.86</u> | | |
| UNENCUMBERED CASH, JUNE 30, 2015 | <u>\$ 139,446.27</u> | | |

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

SCHEDULE 2
PAGE 9 OF 16

VOCATIONAL EDUCATION FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | 14-15 ACTUAL | 14-15 BUDGET | VARIANCE - OVER (UNDER) |
|------------------------------------|---------------------|----------------------|-------------------------------|
| <u>CASH RECEIPTS</u> | | | |
| TRANSFER FROM GENERAL FUND | \$ 115,656.98 | \$ 92,000.00 | \$ 23,656.98 |
| CARL PERKINS | 1,993.15 | 0.00 | 1,993.15 |
| MISCELLANEOUS | 266.56 | 0.00 | 266.56 |
| TOTAL CASH RECEIPTS | <u>117,916.69</u> | <u>\$ 92,000.00</u> | <u>\$ 25,916.69</u> |
| <u>EXPENDITURES</u> | | | |
| INSTRUCTION | <u>117,944.11</u> | <u>\$ 118,724.00</u> | <u>\$ (779.89)</u> |
| RECEIPTS OVER (UNDER) EXPENDITURES | (27.42) | | |
| UNENCUMBERED CASH, JULY 1, 2014 | <u>26,723.29</u> | | |
| UNENCUMBERED CASH, JUNE 30, 2015 | <u>\$ 26,695.87</u> | | |

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

SCHEDULE 2
PAGE 10 OF 16

BOND AND INTEREST FUND
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | 14-15 ACTUAL | 14-15 BUDGET | VARIANCE - OVER (UNDER) |
|------------------------------------|-------------------|----------------------|-------------------------------|
| <u>CASH RECEIPTS</u> | | | |
| TAXES AND SHARED REVENUE-- | | | |
| AD VALOREM PROPERTY TAXES -2013 | \$ 1,111.08 | \$ 3,327.00 | \$ (2,215.92) |
| -2014 | 85,333.86 | 78,186.00 | 7,147.86 |
| DELINQUENT PROPERTY TAX | 973.06 | 432.00 | 541.06 |
| MOTOR VEHICLE TAX | 12,164.69 | 10,627.00 | 1,537.69 |
| RECREATIONAL VEHICLE TAX | 189.11 | 172.00 | 17.11 |
| COMMERCIAL VEHICLE TAX | 823.52 | 0.00 | 823.52 |
| OTHER REVENUE FROM LOCAL SOURCE | 84,543.06 | 60,000.00 | 24,543.06 |
| STATE AID | 124,137.00 | 128,685.00 | (4,548.00) |
| TOTAL RECEIPTS | 309,275.38 | \$ 281,429.00 | \$ 27,846.38 |
| <u>EXPENDITURES</u> | | | |
| INTEREST | 99,750.00 | \$ 99,750.00 | \$ 0.00 |
| COMMISSIONS | 0.00 | 500.00 | (500.00) |
| PRINCIPAL | 180,000.00 | 180,000.00 | 0.00 |
| TOTAL EXPENDITURES | 279,750.00 | \$ 280,250.00 | \$ (500.00) |
| RECEIPTS OVER (UNDER) EXPENDITURES | 29,525.38 | | |
| UNENCUMBERED CASH, JULY 1, 2014 | 269,723.83 | | |
| UNENCUMBERED CASH, JUNE 30, 2015 | \$ 299,249.21 | | |

KPERS SPECIAL RETIREMENT CONTRIBUTION FUND

| | 14-15 ACTUAL | 14-15 BUDGET | VARIANCE - OVER (UNDER) |
|---|-------------------|----------------------|-------------------------------|
| <u>CASH RECEIPTS</u> | | | |
| STATE OF KANSAS | \$ 250,516.34 | \$ 302,894.00 | \$ (52,377.66) |
| <u>EXPENDITURES</u> | | | |
| INSTRUCTION - EMPLOYEE BENEFITS | 162,835.62 | \$ 189,894.00 | \$ (27,058.38) |
| STUDENT SUPPORT - EMPLOYEE BENEFITS | 15,030.98 | 20,000.00 | (4,969.02) |
| INSTRUCTIONAL SUPPORT - EMPLOYEE BENEFITS | 2,505.16 | 4,000.00 | (1,494.84) |
| GENERAL ADMINISTRATION - EMPLOYEE BENEFITS | 10,020.65 | 17,000.00 | (6,979.35) |
| SCHOOL ADMINISTRATION - EMPLOYEE BENEFITS | 22,546.47 | 25,000.00 | (2,453.53) |
| CENTRAL SERVICES - EMPLOYEE BENEFITS | 7,515.49 | 9,000.00 | (1,484.51) |
| OPER. & MAINTENANCE - EMPLOYEE BENEFITS | 12,525.82 | 15,000.00 | (2,474.18) |
| STUDENT TRANS. SERVICES - EMPLOYEE BENEFITS | 5,010.33 | 8,000.00 | (2,989.67) |
| FOOD SERVICE - EMPLOYEE BENEFITS | 12,525.82 | 15,000.00 | (2,474.18) |
| TOTAL EXPENDITURES | 250,516.34 | \$ 302,894.00 | \$ (52,377.66) |
| RECEIPTS OVER (UNDER) EXPENDITURES | 0.00 | | |
| UNENCUMBERED CASH, JULY 1, 2014 | 0.00 | | |
| UNENCUMBERED CASH, JUNE 30, 2015 | \$ 0.00 | | |

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

SCHEDULE 2
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SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | <u>CONSTRUCTION</u> | <u>CONTINGENCY RESERVE</u> |
|------------------------------------|---------------------|--------------------------------|
| <u>CASH RECEIPTS</u> | | |
| TRANSFER FROM GENERAL | \$ 0.00 | \$ 22,474.55 |
| <u>EXPENDITURES</u> | | |
| BUILDING PROJECT | 0.00 | 0.00 |
| TRANSFER TO SUPPLEMENTAL GENERAL | 0.00 | 3,329.00 |
| TOTAL EXPENDITURES | 0.00 | 3,329.00 |
| RECEIPTS OVER (UNDER) EXPENDITURES | 0.00 | 19,145.55 |
| UNENCUMBERED CASH, JULY 1, 2014 | 3,299.49 | 177,525.45 |
| UNENCUMBERED CASH, JUNE 30, 2015 | \$ 3,299.49 | \$ 196,671.00 |

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

SCHEDULE 2
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SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | TITLE I FYE 15 | TITLE II -A FYE 15 |
|------------------------------------|-------------------|-----------------------|
| <u>CASH RECEIPTS</u> | | |
| STATE OF KANSAS | \$ 80,104.00 | \$ 16,616.00 |
| <u>EXPENDITURES</u> | | |
| INSTRUCTION | 80,104.00 | 16,616.00 |
| RECEIPTS OVER (UNDER) EXPENDITURES | 0.00 | 0.00 |
| UNENCUMBERED CASH, JULY 1, 2014 | 0.00 | 0.00 |
| UNENCUMBERED CASH, JUNE 30, 2015 | \$ 0.00 | \$ 0.00 |

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

SCHEDULE 2
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SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | L.E. WILLSON TRUST FUND | COMMUNITY EDUCATION | TEXTBOOK RENTAL |
|--|-------------------------------|------------------------|---------------------|
| <u>CASH RECEIPTS</u> | | | |
| INVESTMENT INCOME FROM TRUST | \$ 265,934.70 | \$ 0.00 | \$ 0.00 |
| INTEREST ON IDLE FUNDS | 1,904.53 | 0.00 | 0.00 |
| OTHER MISCELLANEOUS | 0.00 | 1,084.36 | 0.00 |
| WILLSON FUND REQUESTS | 0.00 | 142,919.92 | 0.00 |
| PRE-SCHOOL ENROLLMENT FEES | 0.00 | 7,236.00 | 0.00 |
| RECREATION CITY ASSESSMENTS | 0.00 | 6,000.00 | 0.00 |
| RECREATION INCOME | 0.00 | 3,973.95 | 0.00 |
| COMMUNITY EDUCATION ACTIVITY | 0.00 | 14,523.00 | 0.00 |
| RENTAL FEES | 0.00 | 0.00 | 18,533.15 |
| | <u>267,839.23</u> | <u>175,737.23</u> | <u>18,533.15</u> |
| TOTAL RECEIPTS | | | |
| | <u>267,839.23</u> | <u>175,737.23</u> | <u>18,533.15</u> |
| <u>EXPENDITURES</u> | | | |
| COMMUNITY EDUCATION: | | | |
| STUDENT SUPPORT SERVICES | 0.00 | 51,810.11 | 0.00 |
| SUMMER RECREATION | 0.00 | 6,374.51 | 0.00 |
| PRE-SCHOOL: | | | |
| INSTRUCTION | 0.00 | 112,393.85 | 0.00 |
| OPERATIONS & MAINTENANCE | 0.00 | 5,116.43 | 0.00 |
| WILLSON FUND: | | | |
| ADMINISTRATION | 1,689.20 | 0.00 | 0.00 |
| AFTER SCHOOL GRANT MATCHING | 16,380.00 | 0.00 | 0.00 |
| REQUESTS - COMMUNITY EDUCATION | 142,919.92 | 0.00 | 0.00 |
| REQUESTS FOR FUNDS -CITY AND GOLF COURSE | 26,344.66 | 0.00 | 0.00 |
| | <u>187,333.78</u> | <u>175,694.90</u> | <u>0.00</u> |
| TOTAL EXPENDITURES | | | |
| | <u>187,333.78</u> | <u>175,694.90</u> | <u>0.00</u> |
| RECEIPTS OVER (UNDER) EXPENDITURES | 80,505.45 | 42.33 | 18,533.15 |
| UNENCUMBERED CASH, JULY 1, 2014 | 443,830.23 | 11,985.96 | 16,101.60 |
| UNENCUMBERED CASH, JUNE 30, 2015 | \$ <u>524,335.68</u> | \$ <u>12,028.29</u> | \$ <u>34,634.75</u> |

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

SCHEDULE 2
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SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | GIFTS & GRANTS | 21ST CENTURY COMMUNITY LEARNING CENTER | DEBT SERVICE FUND |
|------------------------------------|-------------------|---|-------------------------|
| <u>CASH RECEIPTS</u> | | | |
| TRANSFER FROM CAPITAL OUTLAY | \$ 0.00 | \$ 0.00 | \$ 67,876.63 |
| INTEREST FROM U.S. TREASURY | 0.00 | 0.00 | 15,365.03 |
| INTEREST FROM BANK OF KC | 0.00 | 0.00 | 0.02 |
| 21ST CENTURY CCLC GRANT | 0.00 | 60,000.00 | 0.00 |
| | <u>0.00</u> | <u>60,000.00</u> | <u>83,241.68</u> |
| TOTAL CASH RECEIPTS | <u>0.00</u> | <u>60,000.00</u> | <u>83,241.68</u> |
| <u>EXPENDITURES</u> | | | |
| BRICK EXPENSE | 120.00 | 0.00 | 0.00 |
| INSTRUCTION | 0.00 | 53,951.03 | 0.00 |
| SUPPORT SERVICES | 0.00 | 2,984.95 | 0.00 |
| TRANSPORTATION | 0.00 | 680.13 | 0.00 |
| PAYMENT OF PRINCIPAL TO SBBR | 0.00 | 0.00 | 33,333.33 |
| PAYMENT OF INTEREST TO SBBR | 0.00 | 0.00 | 16,575.00 |
| | <u>120.00</u> | <u>57,616.11</u> | <u>49,908.33</u> |
| TOTAL EXPENDITURES | <u>120.00</u> | <u>57,616.11</u> | <u>49,908.33</u> |
| RECEIPTS OVER (UNDER) EXPENDITURES | (120.00) | 2,383.89 | 33,333.35 |
| UNENCUMBERED CASH, JULY 1, 2014 | <u>120.00</u> | <u>5,777.23</u> | <u>100,001.01</u> |
| UNENCUMBERED CASH, JUNE 30, 2015 | \$ <u>0.00</u> | \$ <u>8,161.12</u> | \$ <u>133,334.36</u> |

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

SCHEDULE 2
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SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | RURAL EDUC. ACHIEVEMENT PROGRAM | KANSAS AFTER SCHOOL GRANT | HRSA GRANT |
|--|---------------------------------------|---------------------------------|-------------------|
| <u>CASH RECEIPTS</u> | | | |
| U.S. DEPT OF EDUCATION | \$ 24,342.00 | \$ 0.00 | \$ 0.00 |
| TRANSFER FROM VH AREA COMM. EDUC. & ACT. COUNCIL | 0.00 | 16,380.00 | 0.00 |
| MATCHING FUNDS FROM WILLSON TRUST | 0.00 | 16,380.00 | 0.00 |
| MISCELLANEOUS REVENUE | 0.00 | 0.00 | 1,691.99 |
| HRSA GRANT AWARD | 0.00 | 0.00 | 146,416.94 |
| | <u>24,342.00</u> | <u>32,760.00</u> | <u>148,108.93</u> |
| TOTAL CASH RECEIPTS | <u>24,342.00</u> | <u>32,760.00</u> | <u>148,108.93</u> |
| <u>EXPENDITURES</u> | | | |
| INSTRUCTION | <u>24,342.00</u> | <u>32,760.00</u> | <u>148,108.93</u> |
| RECEIPTS OVER (UNDER) EXPENDITURES | 0.00 | 0.00 | 0.00 |
| UNENCUMBERED CASH, JULY 1, 2014 | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |
| UNENCUMBERED CASH, JUNE 30, 2015 | <u>\$ 0.00</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> |

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

SCHEDULE 2
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SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | VALLEY HEIGHTS ACTIVITY SCHOLARSHIP | PEP GRANT YR 3 | PEP GRANT YR 2 |
|------------------------------------|---|----------------------|----------------------|
| <u>CASH RECEIPTS</u> | | | |
| CONTRIBUTIONS FROM DONORS | \$ 33,814.00 | \$ 0.00 | \$ 0.00 |
| PHYSICAL EDUCATION PROGRAM (PEP) | 0.00 | 218,024.14 | 79,878.13 |
| TOTAL CASH RECEIPTS | 33,814.00 | 218,024.14 | 79,878.13 |
| <u>EXPENDITURES</u> | | | |
| GRANTS TO SCHOLARSHIP RECIPIENTS | 28,946.00 | 0.00 | 0.00 |
| INSTRUCTION | 0.00 | 218,024.14 | 79,878.13 |
| TOTAL EXPENDITURES | 28,946.00 | 218,024.14 | 79,878.13 |
| RECEIPTS OVER (UNDER) EXPENDITURES | 4,868.00 | 0.00 | 0.00 |
| UNENCUMBERED CASH, JULY 1, 2014 | 5,123.18 | 0.00 | 0.00 |
| UNENCUMBERED CASH, JUNE 30, 2015 | \$ 9,991.18 | \$ 0.00 | \$ 0.00 |

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

SCHEDULE 3

AGENCY FUNDS
SCHEDULE OF RECEIPTS AND CASH DISBURSEMENTS
REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | BEGINNING CASH BALANCE | CASH RECEIPTS | CASH DISBURSEMENTS | ENDING CASH BALANCE |
|---------------------------------------|------------------------------|------------------|-----------------------|---------------------------|
| STUDENT ORGANIZATION FUNDS | | | | |
| VALLEY HEIGHTS JR. - SR. HIGH SCHOOL: | | | | |
| CLASS OF 2015 | \$ 877.29 | \$ 250.00 | \$ 964.59 | \$ 162.70 |
| CLASS OF 2016 | 1,980.00 | 4,000.25 | 5,245.14 | 735.11 |
| CLASS OF 2017 | 1,090.02 | 600.00 | 0.00 | 1,690.02 |
| CLASS OF 2018 | 406.00 | 100.00 | 0.00 | 506.00 |
| CLASS OF 2019 | 128.00 | 100.00 | 81.28 | 146.72 |
| CLASS OF 2020 | 128.00 | 100.00 | 0.00 | 228.00 |
| FFA | 949.40 | 13,082.95 | 11,416.30 | 2,616.05 |
| FCCLA | 1,787.11 | 2,189.65 | 2,413.84 | 1,562.92 |
| KAYS | 797.70 | 1,546.05 | 1,401.77 | 941.98 |
| NATIONAL HONOR SOCIETY | 1,331.84 | 415.00 | 538.38 | 1,208.46 |
| STUDENT COUNCIL | 2,052.46 | 670.00 | 1,045.97 | 1,676.49 |
| SUBTOTAL STUDENT ORGANIZATION FUNDS | 11,527.82 | 23,053.90 | 23,107.27 | 11,474.45 |
| PAYROLL CLEARING | | | | |
| PAYROLL CLEARING - HEALTH INSURANCE | 656.03 | 0.00 | 656.03 | 0.00 |
| TOTAL AGENCY FUNDS | \$ 12,183.85 | \$ 23,053.90 | \$ 23,763.30 | \$ 11,474.45 |

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

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VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

SCHEDULE 4

DISTRICT ACTIVITY FUNDS
SCHEDULE OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH
REGULATORY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| FUND | BEGINNING UNENCUMBERED CASH BALANCE | PRIOR YEAR CANCELLED ENCUMBRANCES | CASH RECEIPTS | EXPENDITURES | UNENCUMBERED CASH BALANCE | ADD OUTSTANDING ENCUMBRANCES AND ACCOUNTS PAYABLE | ENDING CASH BALANCE |
|--|--|--|------------------|---------------|---------------------------------|---|---------------------------|
| GATE RECEIPTS | \$ 7,680.51 | \$ 0.00 | \$ 30,715.28 | \$ 32,141.25 | \$ 6,254.54 | \$ 0.00 | \$ 6,254.54 |
| VALLEY HEIGHTS JR. - SR. HIGH SCHOOL: ATHLETICS | | | | | | | |
| SCHOOL PROJECTS | | | | | | | |
| VALLEY HEIGHTS JR. - SR. HIGH SCHOOL: STUDENT ACTIVITY PROJECTS | | | | | | | |
| YEARBOOK | 14.10 | 0.00 | 7,639.57 | 7,639.47 | 14.20 | 0.00 | 14.20 |
| DC BAND TRIP | 720.24 | 0.00 | 8,040.00 | 7,929.12 | 831.12 | 0.00 | 831.12 |
| ALL SCHOOL PLAY | 957.48 | 0.00 | 0.00 | 0.00 | 957.48 | 0.00 | 957.48 |
| VENDING COMMISSIONS | 3,751.15 | 0.00 | 3,230.06 | 2,570.89 | 4,410.32 | 0.00 | 4,410.32 |
| VO AG | 563.88 | 0.00 | 1,126.89 | 1,342.80 | 347.97 | 0.00 | 347.97 |
| BAND | 68.05 | 0.00 | 0.00 | 0.00 | 68.05 | 0.00 | 68.05 |
| ART | 315.28 | 0.00 | 190.00 | 50.00 | 455.28 | 0.00 | 455.28 |
| CHEERLEADERS | 1,083.99 | 0.00 | 792.50 | 466.88 | 1,409.61 | 0.00 | 1,409.61 |
| DANCE TEAM | 5,195.56 | 0.00 | 1,309.75 | 4,446.09 | 2,059.22 | 0.00 | 2,059.22 |
| FFA BUILDING | 363.51 | 0.00 | 7,620.23 | 5,125.52 | 2,848.22 | 0.00 | 2,848.22 |
| SUMMER BASKETBALL | 0.00 | 0.00 | 6,190.00 | 0.00 | 6,190.00 | 0.00 | 6,190.00 |
| IN HOUSE TRAINING | 5.02 | 0.00 | 0.00 | 0.00 | 5.02 | 0.00 | 5.02 |
| DONATIONS | 7.02 | 0.00 | 3,191.48 | 3,193.94 | 4.57 | 0.00 | 4.57 |
| FORENSICS | 1,165.06 | 0.00 | 0.00 | 516.65 | 648.41 | 0.00 | 648.41 |
| DRAMA CLUB | 824.08 | 0.00 | 1,256.03 | 1,293.63 | 786.48 | 0.00 | 786.48 |
| VH CLUB | 191.38 | 0.00 | 0.00 | 66.26 | 125.12 | 0.00 | 125.12 |
| SCHOLARS BOWL | 772.38 | 0.00 | 0.00 | 0.00 | 772.38 | 0.00 | 772.38 |
| SCIENCE CLUB | 38.12 | 0.00 | 523.00 | 530.27 | 30.85 | 0.00 | 30.85 |
| JOURNALISM | 126.98 | 0.00 | 0.00 | 0.00 | 126.98 | 0.00 | 126.98 |
| CONCESSIONS | 67.05 | 0.00 | 77.67 | 144.72 | 0.00 | 0.00 | 0.00 |
| STUDENT GLASSFRONT | 2,742.62 | 0.00 | 27,652.02 | 27,616.27 | 2,778.37 | 0.00 | 2,778.37 |
| | 0.00 | 0.00 | 4,162.60 | 3,733.67 | 428.93 | 0.00 | 428.93 |
| SUBTOTAL JR.-SR. HIGH SCHOOL | 18,982.95 | 0.00 | 73,001.81 | 66,666.18 | 25,298.58 | 0.00 | 25,298.58 |
| BLUE RAPIDS GRADE SCHOOL: LIBRARY DONATIONS | 3,304.36 | 0.00 | 1,211.27 | 992.45 | 3,523.18 | 0.00 | 3,523.18 |
| WATERVILLE ELEMENTARY: DONATIONS | 3,033.76 | 0.00 | 1,348.58 | 1,012.88 | 3,369.46 | 0.00 | 3,369.46 |
| SUBTOTAL SCHOOL PROJECT FUNDS | 25,301.07 | 0.00 | 75,561.66 | 68,671.51 | 32,191.22 | 0.00 | 32,191.22 |
| TOTAL DISTRICT ACTIVITY FUNDS | \$ 32,981.58 | \$ 0.00 | \$ 106,276.94 | \$ 100,812.76 | \$ 38,445.76 | \$ 0.00 | \$ 38,445.76 |

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

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VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

OTHER SUPPLEMENTARY INFORMATION

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO 498
BLUE RAPIDS - WATERVILLE, KANSAS

SCHEDULE 5

COMPARISON OF DEPOSITORY SECURITY WITH FUNDS ON DEPOSIT
6/30/2015

| | F.D.I.C. COVERAGE | SECURITY PLEDGED PAR VALUE | MARKET VALUE | TOTAL COVERAGE | FUNDS ON DEPOSIT 06-30-15 | FUNDS AT RISK 06-30-15 |
|--|----------------------|----------------------------------|-----------------|-------------------|---------------------------------|------------------------------|
| BANK | | | | | | |
| CITIZENS STATE BANK, WATERVILLE, KANSAS | | | | | | |
| DEMAND DEPOSITS | \$ 137,288.00 | | | | \$ 137,288.00 | |
| TIME DEPOSITS | 250,000.00 | | | | 1,210,052.05 | |
| SUBTOTAL CITIZENS STATE BANK | 387,288.00 | \$ 1,539,667.76 | \$ 1,566,352.00 | \$ 1,953,640.00 | 1,347,340.05 | \$ 0.00 |
| STATE BANK OF BLUE RAPIDS, BLUE RAPIDS, KS | | | | | | |
| DEMAND DEPOSITS | 3,580.23 | | | | 3,580.23 | |
| TIME DEPOSITS | 250,000.00 | | | | 926,617.73 | |
| SUBTOTAL STATE BANK OF BLUE RAPIDS | 253,580.23 | 1,100,000.00 | 1,126,203.00 | 1,379,783.23 | 930,197.96 | 0.00 |
| BANK OF KANSAS CITY, KANSAS CITY, MO | | | | | | |
| TIME DEPOSITS | 1.04 | | | 1.04 | 1.04 | 0.00 |
| TOTALS | \$ 640,869.27 | \$ 2,639,667.76 | \$ 2,692,555.00 | \$ 3,333,424.27 | \$ 2,277,539.05 | \$ 0.00 |

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

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KICKHAEFER & BUESSING, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education
Valley Heights Unified School District No. 498
Waterville, Kansas 66548

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States and the *Kansas Municipal Audit and Accounting Guide*, the financial statement of Valley Heights Unified School District No. 498, Waterville, Kansas, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statement, which collectively comprise the District's basic financial statement and have issued our report thereon, dated December 9, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal controls such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify two deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (2015-001, 2015-002).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of

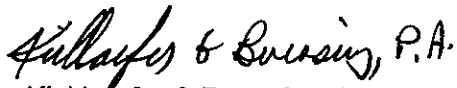
laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statement and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kickhaefer & Buessing, P.A.
Marysville, Kansas
December 9, 2015

KICKHAEFER & BUESSING, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Education
Valley Heights Unified School District No. 498
Waterville, Kansas 66548

Report on Compliance for Each Major Federal Program

We have audited Valley Heights Unified School District No. 498's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with the *Kansas Municipal Auditing and Accounting Guide*; auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2015.

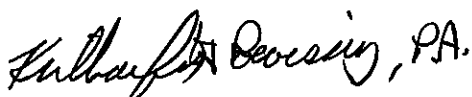
Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Kickhaefer & Buessing, P.A.
Marysville, Kansas
December 9, 2015

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| PROGRAM TITLE | FEDERAL CFDA NUMBER | GRANT NUMBER | PROGRAM OR AWARD AMOUNT | BEGINNING BALANCE 07-01-14 | RECEIPTS | EXPENDITURES | ENDING BALANCE 06-30-15 |
|--|---------------------------|-----------------|-------------------------------|----------------------------------|--------------|----------------------|-------------------------------|
| U.S. DEPT. OF EDUCATION: | | | | | | | |
| DIRECT PROGRAMS: | | | | | | | |
| RURAL EDUCATION ACHIEVEMENT PROGRAM-FY14 | 84.358A | S358A131617 | \$ 24,342.00 | \$ 0.00 | \$ 24,342.00 | \$ 24,342.00 | \$ 0.00 |
| PHYSICAL EDUCATION PROGRAM - YR 3 | 84.215F | | 218,024.14 | 0.00 | 218,024.14 | 218,024.14 | 0.00 |
| PHYSICAL EDUCATION PROGRAM - YR 2 | 84.215F | | 240,415.00 | 0.00 | 79,878.13 | 79,878.13 | 0.00 |
| TOTAL DIRECT PROGRAMS | | | | | | <u>322,244.27</u> | |
| PASS-THROUGH PROGRAMS FROM: | | | | | | | |
| KANSAS DEPARTMENT OF EDUCATION: | | | | | | | |
| TITLE I - FY 15 | 84.010 | | 80,104.00 | 0.00 | 80,104.00 | 80,104.00 | 0.00 |
| TITLE II - A | 84.367 | | 16,616.00 | 0.00 | 16,616.00 | 16,616.00 | 0.00 |
| TITLE IV-21ST CENTURY COMMUNITY LEARNING CENTER | 84.287 | | 60,000.00 | 5,777.23 | 60,000.00 | 57,616.11 | 8,161.12 |
| NEMAHA VALLEY CONSORTIUM: | | | | | | | |
| SECONDARY IMPROVEMENT FUNDS | 84.048 | | 3,295.85 | 0.00 | 3,295.85 | 3,295.85 | 0.00 |
| TOTAL PASS-THROUGH PROGRAMS | | | | | | <u>157,631.96</u> | |
| TOTAL U.S. DEPT OF EDUCATION | | | | | | <u>479,876.23</u> | |
| U.S. DEPT. OF HEALTH AND HUMAN SERVICES: | | | | | | | |
| DIRECT PROGRAMS: | | | | | | | |
| RURAL HEALTH CARE SERVICES OUTREACH | 93.912 | | 146,416.94 | 0.00 | 146,416.94 | 146,416.94 | 0.00 |
| TOTAL DIRECT PROGRAMS | | | | | | <u>146,416.94</u> | |
| PASS-THROUGH PROGRAM FROM: | | | | | | | |
| KANSAS DEPT. OF SOCIAL & REHABILITATION SERVICES: | | | | | | | |
| MEDICAL ASSISTANCE PROGRAM | 93.778 | | 12,398.73 | 0.00 | 12,398.73 | 12,398.73 | 0.00 |
| TOTAL PASS-THROUGH PROGRAMS | | | | | | <u>12,398.73</u> | |
| TOTAL U.S. DEPT. OF HEALTH AND HUMAN SERVICES | | | | | | <u>158,815.67</u> | |
| U.S. DEPT. OF AGRICULTURE: | | | | | | | |
| PASS-THROUGH PROGRAMS FROM: | | | | | | | |
| KANSAS DEPARTMENT OF EDUCATION: | | | | | | | |
| SCHOOL BREAKFAST PROGRAM | 10.553 | | 31,571.90 | 0.00 | 31,571.90 | 31,571.90 | 0.00 |
| SCHOOL LUNCH PROGRAM | 10.555 | | 123,529.59 | 0.00 | 123,529.59 | 123,529.59 | 0.00 |
| TOTAL CHILD NUTRITION CLUSTER | | | | | | <u>155,101.49</u> | |
| FRESH FRUITS AND VEGETABLES | 10.582 | | 13,550.00 | 0.00 | 5,886.76 | 5,886.76 | 0.00 |
| TOTAL PASS-THROUGH PROGRAMS | | | | | | <u>160,988.25</u> | |
| TOTAL U.S. DEPT. OF AGRICULTURE | | | | | | <u>160,988.25</u> | |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | | | | <u>\$ 799,680.15</u> | |

SEE ACCOMPANYING NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

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VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
WATERVILLE, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Valley Heights Unified School District No. 498, Waterville, Kansas and is presented on the KMAAG regulatory basis of accounting which involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statement. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

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VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
WATERVILLE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the Valley Heights Unified School District No. 498, Waterville, Kansas' financial statement under the regulatory basis of accounting and an adverse opinion under GAAP dated December 9, 2015.
2. Two significant deficiencies relating to the audit of the financial statement are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statement of Valley Heights Unified School District No. 498, Waterville, Kansas, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses in internal control relating to the audit of the major federal award programs are reported in the Independent Auditors' Report of Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for Valley Heights Unified School District No. 498, Waterville, Kansas expresses an unqualified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs for Valley Heights Unified School District No. 498, Waterville, Kansas, that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs are the Child Nutrition Cluster - CFDA #'s 10.553 and 10.555 and the Physical Education Program (PEP) Grant - CFDA #84.215F. The Child Nutrition Cluster is a U.S. Department of Agriculture program. The PEP Grant is a U.S. Department of Education program.
8. The dollar threshold between Type A programs and Type B programs was \$300,000.
9. The Valley Heights Unified School District No. 498, Waterville, Kansas, did not qualify under Section 530 as a low-risk auditee and therefore was not eligible for reduced audit coverage in accordance with Section 520.

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
WATERVILLE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FINDINGS – FINANCIAL STATEMENT AUDIT

2015-001 Bid violation

Condition: The district did not receive sealed bids for the \$49,270.00 purchase of Apple IPADs in July of 2014.

Criteria: Internal Controls should be in place to make sure that proper steps are taken to get sealed bids on expenditures over \$20,000.

Cause: Apple Inc. is the sole producer of the IPADs and the District was told by the Apple representative that the bid process wasn't necessary.

Effect: The district bought the IPADs without going through the sealed bid process.

Recommendation: The district needs to go through the bid process even for Apple IPADs. This was brought to the attention of the District in the prior year but these IPADs had already been purchased.

Views of Responsible Officials and Planned Corrective Actions: The district agrees with the finding and the recommendation. The technology coordinator has been informed of the need to bid IPADs. A later purchase of \$25,440.00 worth of Apple IPADs went through the appropriate bid process.

2015-002 Public Works Bond violation

Condition: The district did not obtain a public works bond with the State of Kansas for the hail damage roof repair done by Fair and Square for \$148,005.50.

Criteria: Internal Controls should be in place to make sure that K.S.A. Statute 60-1111 is complied with for contracts over \$100,000.00 which make repairs or improvements to public property.

Cause: Since the District had insurance which covered the hail damage expense the District didn't think about the contract being over \$100,000.00 and in need of the bond being filed with the State of Kansas and on file at the Clerk of the District Court in Marshall County.

Effect: No public works bond was obtained for the roof repair with Fair and Square for \$148,005.50.

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
WATERVILLE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FINDINGS – FINANCIAL STATEMENT AUDIT (CONT.)

2015-002 Public Works Bond violation (Cont.)

Recommendation: The district needs to have contractors obtain a public works bond with the State of Kansas and have it recorded in the Clerk of the District Court office in the county the improvements are made. A public works bond is required for any contracts for repair on public buildings over \$100,000.00.

Views of Responsible Officials and Planned Corrective Actions: The district agrees with the finding and the recommendation. The superintendent will keep this in mind for future contracts over \$100,000.00.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

No matters noted in the current fiscal year.

VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
BLUE RAPIDS - WATERVILLE, KANSAS

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VALLEY HEIGHTS UNIFIED SCHOOL DISTRICT NO. 498
WATERVILLE, KANSAS

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2015

PRIOR YEAR FINDINGS – FINANCIAL STATEMENT AUDIT

2014-001

Condition: The District did not receive sealed bids for the \$53,060.00 purchase of Apple IPADs.

Recommendation: The District needs to go through the bid process even for single source Apple IPADs.

Current Status: The District has another violation of this in FYE15 since the District purchased \$49,270.00 worth of Apple IPADs in July, 2014 before this was brought to the District's attention. The District went through the appropriate bid process for more Apple IPADs purchased in July, 2015, for \$25,440.00.

PRIOR YEAR FINDINGS – MAJOR FEDERAL AWARD PROGRAMS

There were no prior year major federal award program findings or questioned costs.